

REMARKS  
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It's a pleasure to be here today to talk to this distinguished group.

A difficult task for intelligence is to see the world as it is, not as we -- or others -- would wish it to be. Yet, today, even the most hard-eyed realist must see a world transformed. A world where, at staggering cost in lives and treasure, all the old empires have disappeared. Where, through a world war and a long and bitter Cold War, the totalitarianisms of Naziism and Communism have at last been defeated.

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-- and making progress toward -- peace, democracy, and an economic system that works.

Today, on the eve of a new century, of a new millennium, a tidal wave of change has swept over the international landscape. The Soviet Union has disappeared -- and the major military threat to the United States has receded dramatically. Many regional conflicts around the globe have come to an end.

We see a world where, as never before, people are demanding -- and making progress toward -- peace, democracy and an economic system that works. Where a decade ago 90% of the peoples of Latin America lived under authoritarian governments, now more than 90% live under governments that are democratically elected. Apartheid is being dismantled in South Africa; peace talks, however difficult, are

underway in the Middle East; Eastern Europe is liberated; Germany has been peacefully united; and the United Nations finally is playing the role its founders envisioned. It is truly a time of revolutionary change, a time of great hope, promise and opportunity.

Yet, the opportunities are fragile...and perhaps transitory. With the collapse of Communism in the Soviet Union and Eastern Europe, the nationalist, ethnic, border, and resource conflicts of a long ago world -- suppressed for well over half a century -- have bubbled to the surface to confront us again, often in new and more virulent forms.

In this time of revolutionary change, the Intelligence Community must change -- and change dramatically to conform to the reality of a new and different

world. But our changes must be evolutionary...

The first thing I am trying to do with the Congress is to correct a couple of misapprehensions about intelligence. The first wrong conventional wisdom is that the Intelligence Community has focused solely on the Soviet Union -- and that we are now searching for "new missions." The fact is that even at the height of the allocation of resources to the Cold War, -- which interestingly enough was in 1980 -- 1980 -- only 58% of the Intelligence Community's resources were dedicated against the Soviet Union. The remainder -- that is over 40% -- were dedicated to a range of issues that are of significance today -- developments in the Third World, international arms sales, weapons proliferation, terrorism, global economic issues, international narcotics trafficking and a host of

other concerns. By 1990, the percentage of our resources dedicated to the Soviet Union had dropped to 50%. Under the readjustments in the budget recently approved by the President, that figure will fall to 34% in the Intelligence Community as a whole and less than 15% at CIA.

In short, the Intelligence Community never was wholly preoccupied with the Soviet Union -- far from it. There has been a great deal of diversification of its targets for quite some time.

The second piece of conventional wisdom that is inaccurate is that this is an Intelligence Community that was sized for the Cold War. It was created in the 50s and 60s, it was created to fight the Cold War and now that the Cold War is over there need to be radical changes. The fact is that from 1967 to 1980

the Intelligence Community lost 40% of its people and 50% of its money. When it was rebuilt in the 1980s, the rebuilding of the Intelligence Community was driven more by the failure of intelligence to forecast the revolution in Iran than it was by the Cold War. What you have is both technical systems that were designed to be far more flexible and usable in many other targets than the Soviet Union but also an analytical capability and an collection capability that was not focus on the Soviet Union but in fact on the Third World. That was the primary reason of the rebuild in the 1980s so this in fat is an Intelligence Community that is sized for a far more diverse world than we faced 15 years ago.

Having said that, the Intelligence Community must change -- and change dramatically -- to ...Last summer -- both prior to and

after the Moscow coup -- I began to think about how to change the Intelligence Community with two premises. The first premise was that with the end of the the Cold War that while in a cosmic sense the world would become less dangerous, in a day-to-day management sense in many respects it would be become more dangerous, more unpredictable, more unstable, and therefore there would be a need in real terms for a continuing strong intelligence service and early warning system for the country.

The second premise was my belief that the trends in the world would lead to very strong pressures both public and in the Congress for radical cutbacks in both defense and intelligence i the same vein that occurred in 1919, 1945, 1953, and 1975. And therefore I believed intelligence needed to have a strategy to deal with the

inevitability and to try and get ahead of that inevitable political reality. I also believed that in that connection there would be a strong pressure in the Congress for radical restructuring of the Intelligence Community as well as pressure to reduce the size substantially.

As a result of these two premises, I proceeded with a two-part strategy. The first part grew out of the belief that the Intelligence Community could not reinvent itself with any credibility for the future -- that what was needed was for the policy community -- up to and including the President -- to revalidate the mission of U.S. intelligence and more specifically to identify its requirements and priorities. I felt frankly, that if we did it ourselves we would be accused of looking for new work or



simply trying to justify our existence.

This gave rise to National Security Review-29, which I wrote early in the fall, in which the President directed the heads of some 20 agencies and departments to identify their intelligence needs and requirements to the year 2005. Several things about NSR-29 are perhaps worth noting. The first is that I explicitly excluded the participation of any intelligence service in the preparation of NSR-29. The second is that because I was still deputy national security adviser I also had the -- as it turned out -- somewhat vain hope that in addressing intelligence needs to the year 2005 they might actually think a little bit about policy needs as well. The third thing that was unusual about that review was that it was unclassified and the irony is that after it was

signed it never leaked. We finally had to call up some of the newspapers and send it over to them. In any event, the document was signed on November 15 and the process came to a successful conclusion on March 20.

The second part of the strategy -- beyond having the President and policy community give us, if you will, marching orders was to try and get ahead of the power curve -- the political curve, if you will -- by having a program that was far-reaching so it would have credibility on the Hill as a real alternative -- so people would realize we weren't just playing games but in fact undertaking some fairly dramatic changes in the Intelligence Community.

As a sort of corollary to this s it also seemed important for the Intelligence Community to be seen

publicly to be open to change to be changing itself to recognize the changes in the world and to be acting on that reality. This in turn made the new openness strategy an important part of the restructuring process -- to put some of the windows up and to let people see and hear what was going on, the nature of the changes, and what we were about. I also hoped that this would have some spillover both inside and outside the Intelligence Community and the government in terms of encouraging further change.

The actions that flowed from the strategy in particular on restructuring and reform -- the first wave of change -- was the product of 14 different task forces: seven on CIA and seven on the Intelligence Community. As somebody who has been in the bureaucracy for a long time, I believe that if you want to pretend to change then you

reorganize; if you want to really change you go at process and how the work is accomplished -- not just moving the boxes around.

I won't go through all these task forces, but let me just say that there are three on the CIA that I think will, over time, revolutionize the way intelligence gets done. The first is plans to move toward the electronic dissemination of intelligence and all that implies in terms of changes of the way analysis is done, in the way data bases are put together, in the 24 hour process, and more importantly in terms of a product that is increasingly tailored for an individual policymaker -- rather than writing finished intelligence monographs that go to several hundred people all at the same time. Already, 2/3 of the product of the analytical side of the agency is specifically tailored to requests

from specific policymakers -- so it's a much more customized kind of service. And when it becomes electronic and we are doing this in near real-time, if you will, then I think it will be even more so.

The second major change is in clandestine collection. I can't go into much detail here but suffice it to say that we, I believe, need to look at problems such as proliferation, counternarcotics, counterterrorism, that are very high on the priority list that has come out as a result of the NSR-29 exercise. It is clear to me that human intelligence is needed -- and I think we need to look at some new and more creative ways to go about this business and that it will revolutionize the work of the clandestine service.

The third area that I think has the potential to revolutionize the